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TO RUEHC/SECSTATE WASHDC IMMEDIATE 5770
INFO RUEHRL/AMEMBASSY BERLIN PRIORITY 0307
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RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 6979
RUEHKT/AMEMBASSY KATHMANDU PRIORITY 5057
RUEHLO/AMEMBASSY LONDON PRIORITY 3638
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0801
RUEHNY/AMEMBASSY OSLO PRIORITY 3724
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0521
RUEHKO/AMEMBASSY TOKYO PRIORITY 2804
RUEHCG/AMCONSUL CHENNAI PRIORITY 7554
RUEHBI/AMCONSUL MUMBAI PRIORITY 5256
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 1935
RHEFDIA/DIA WASHINGTON DC PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000500

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DEPARTMENT FOR SCA/INS AND SCA/RA

E.O. 12958: DECL: 03/27/2017

TAGS: [PTER](#) [PGOV](#) [MOPS](#) [PREL](#) [CE](#)

SUBJECT: SRI LANKA: IMPLICATIONS OF THE LTTE AIR ATTACK FOR
THE PEACE PROCESS

REF: COLOMBO 491

Classified By: AMBASSADOR ROBERT O. BLAKE, JR. REASONS: 1.4 (B, D)

11. (C) SUMMARY: There are indications that the damage to the Sri Lankan Air Force's fleet of attack aircraft may be more serious than the GSL has conceded. The military have clamped a virtual news blackout over the incident, refusing reporters and even the Sri Lanka Monitoring Mission access to Katunayake Air base. The immediate economic impact appears minimal, with stock indices in Sri Lanka retreating just over one percent in the aftermath of the attack. It will take longer to assess the impact on Sri Lanka's important tourist industry. The most serious damage appears to be to the prospects for peace. The attack has shown that the LTTE is still a force to be reckoned with, but provides another argument to those in the Sinhalese south calling for a military solution to the conflict. Another casualty of the raid is the Ceasefire Agreement. It is widely assumed that the LTTE smuggled in the aircraft in parts during the truce; this is indicative of the extent to which the LTTE used the hiatus of the ceasefire to rearm. The attack will make the task of the Norwegian facilitators, the Nordic Sri Lanka Monitoring Mission, and the Co-Chairs in bringing the warring parties back to the table more difficult. End summary.

DAMAGE WORSE THAN THE MILITARY IS LETTING ON?

12. (C) Additional reports have surfaced suggesting that the damage done by the LTTE in yesterday's air raid on Katunayake air force base may be more extensive than publicly reported by the military (reftel). Initial reports were that no Kfir fighters had been hit. However, the Sri Lanka Monitoring Mission (SLMM) and newspapers have reported that airmen coming off duty stated that several fighter jets were damaged by fires which broke in the hangers as a result of the attack. The LTTE has boasted on its web site, Tamilnet, that information it has received indicates that as much as 40 percent of the Sri Lankan air force was damaged in some way, although the extent of the damage to each jet is unknown. On

another sign that there may be more extensive problems, on the afternoon after the attack, the military-run Media Center for National Security removed from its web site all information relating to the extent of the damage done by the attack.

¶3. (SBU) Within hours of the LTTE air attack, the GSL launched an attack - using MiG fighters not housed in the hangers at Katunayake Air Base - on two LTTE-controlled areas around Vellankulam, located north of Iluppaikkadavai in Mannar district on the West coast. In an incident that may not be closely related to the LTTE air raid, an LTTE suicide bomber set off a vehicle bomb on March 27 outside a Sri Lankan Army Base near Batticaloa in the East, killing eight and wounding twenty-one (septel).

ECONOMIC IMPLICATIONS: COULD HAVE BEEN WORSE

¶4. (SBU) The immediate economic impact of the attack was moderate. This sort of event) a deft LTTE attack on a military target - is already built into domestic economic expectations. The two main Sri Lankan stock market indices each dropped a little over one percent for the day. Foreign perceptions of the business environment are more likely to be eroded as a result of the attack, however. Tourism, in particular, is likely to decline further (it was already down 18% for February 2006 compared to February 2005). Tourism only accounts for about one percent of GDP but, when healthy, brings substantial foreign exchange and generates a lot of jobs. Cathay Pacific's decision to suspend flights into Sri Lanka (reftel) demonstrates how quickly tourism can be

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affected by this type of event.

¶5. (C) COMMENT: The air raid incident, whatever the damage inflicted on the Sri Lankan air force, will complicate the international community's efforts to promote a political solution to the ethnic conflict. The Tigers have pulled off a convincing demonstration that they remain a highly capable force that can strike anywhere in the country. The brazenness of the attack has provoked howls of outrage from Sinhalese nationalists and renewed calls for the government to prosecute the war with vigor. This makes the situation more difficult for moderates who are inclined to seek a negotiated settlement. After an emergency meeting called by the President on March 26, leaders of thirteen political parties represented in Parliament (all but the pro-LTTE Tamil National Alliance) issued a joint statement calling the LTTE's new air power a threat to all countries in South Asia.

The general assumption is that the LTTE smuggled the aircraft into Sri Lanka in parts during the Ceasefire Agreement. This incident will therefore raise new questions about whether it was advisable in the first place to agree to a truce with the LTTE. More fundamentally, many will again question the wisdom of seeking a negotiated end to the conflict. Post will look for early opportunities to stress that the LTTE attack poses serious concern because a terrorist organization has demonstrated an offensive aerial capability. But the attack also underlines that a military solution is not possible and that both sides should pursue a negotiated settlement that meets the aspirations of the Tamil, Sinhalese and Muslim people.

BLAKE